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IN THE

Supreme Court of the United States

OCTOBER TERM, 1941

No. 649

MISHAWAKA RUBBER AND WOOLEN MANUFACTURING COMPANY
Petitioner,
vs.
S. S. KRESGE COMPANY,
Respondent

BRIEF OF RESPONDENT

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INDEX

	Page
Statement of the Case	1
Comparative Summary Chart	7
District Court's Findings of Fact and Amendments Thereto	8
Summary of Argument	11
First Question	12
I. Since none of respondent's sales of replacement heels were attributable to the technical infringement here found, there were no profits to be accounted for by it	12
II. The decree is not in conflict with the Trade-Mark Act. Section 19 of the Act is procedural, does not create substantive rights nor require in every case an accounting of profits. The lower courts recognized these principles and the decree of their judicial interference necessarily depended upon the facts proved and found in the case	16
III. Under Section 19 of the Trade-Mark Act petitioner has the burden of showing that respondent has enjoyed profits attributable to its technical infringement, otherwise there can be no accounting	20
IV. The decree assures to each litigant that which equitably belongs to it and prevents an unjust enrichment of either at the expense of the other	26
V. The cases relied upon by petitioner recognize that there must be a showing of profits attributable to the infringement before there can be an accounting	33

Page

Second Question 40

I. The lower courts were justified in view of the absence of reliable proof of damages is not awarding an accounting therefor..... 40

II. The circumstances here did not justify an accounting for damages under the Trade-Mark Act which only requires such an accounting in the proper case to be determined by the Court 46

Part III.

I. There is no allegation in petitioner's pleadings nor finding of fact by either court that respondent's sales either were in interstate commerce or interfered therewith—therefore Sections 19 and 16 of the Act do not apply and the local substantive law governs..... 52

Conclusion 55

Appendix.

Trade-Mark Act of 1905, Sections 16 and 19..... 56

CITATIONS

Aladdin Mfg. Co. v. Mantle Lamp Co., 116 F. 2d 708 ..... 30, 34, 50

American Foundries v. Robertson, 269 U. S. 372, 381 ..... 10, 20, 46

American Trading Co. v. Heacock Co., 285 U. S. 274, 258..... 16

Ammon & Person v. Narragansett Dairy Co., 254 F. 208 (aff'd 262 F. 880) 48

Dickinson v. O & W Thum Co., 8 F. 2d 570..... 37-50

Dowagiac Mfg. Co. v. Minn. Plow Co., 235 U. S. 641, 647 ..... 12, 22, 24, 27, 48-53

Duplate Corp. v. Triplex Co., 298 U. S. 448 34

	Page
Duro v. Duro, 56 F. 2d 313	35
Erie Railroad Company v. Tompkins, 304 U. S. 64	55
Gordon's Dry Gin Co. v. Eddy, 246 F. 954, 956	27
Hamilton-Brown Shoe Co. v. Wolf Bros. & Co., 240 U. S. 251	33, 34, 39, 47
Liberty Oil Corp. v. Crowley-Milner Co., 270 Mich. 187	27, 44
Rushmore v. Badger Brass Mfg. Co., 198 F. 379	30, 32
Saxlehner v. Siegle Cooper Co., 179 U. S. 42	27
Sheldon v. Metro-Goldwyn Pictures Corp., 309 U. S. 390, 408, 60 S. Ct. 681, 688	15, 18, 19, 22, 24, 26, 27, 29, 33
Story Parchment Co. v. Paterson Parchment Paper Co., 282 U. S. 555	49
Straus v. Notaseme Co., 240 U. S. 179	27
Straus v. Victor Talking Machine Co., 297 F. 791	50
Tilghman v. Proctor, 125 U. S. 136, 146, 8 S. Ct. 894, 899	15, 24
Trappey v. McIlhenny Co., 12 F. 19	35
United Drug Co. v. Rectanus, 248 U. S. 90, 99	17
United States Printing Co. v. Griggs & Co., 279 U. S. 156	52
Vogue Co. v. Thompson-Hudson Co., 300 F. 509	30, 31, 45
Westinghouse Co. v. Wagner Mfg. Co., 225 U. S. 604	20, 22, 27, 33

Statutes:

Section 16—Trade Mark Act	56
Section 19—Trade Mark Act	56

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STATEMENT OF THE CASE

In our opinion a more complete statement of the case is necessary to an understanding of the two questions to be reviewed. We therefore exercise our right under Rule 27, paragraph 4, to supplement and correct petitioner's statement of facts.

Petitioner is a manufacturer and wholesaler only. It manufactures its "Mishko" heel, exhibited by exhibit 16 following page 10 of its brief, for the purpose of being attached as a component part of its finished footwear which is then wholesaled to the trade. Petitioner has consistently refused to manufacture and sell replacement heels (R. 36).

Respondent, S. S. Kresge Company, on the other hand, is a retailer only. It retails rubber heels only for replacement by the purchaser on footwear previously purchased from someone else. It does not sell completed footwear, nor does it sell petitioner's product.

Petitioner's exhibit 16 indicates, and the affidavit of its president, Mr. Fink, admits (R. 34) and the trial Court found (R. 130) that the red circular ball figure is never used alone by petitioner on its rubber heels attached to its finished footwear. The ornamental dress of its heels has always included in addition to the red circular plug, the word "Mishko," then in a parallelgram "First Quality, Ball-Band, Mishawaka, Ind." and then below "Made in U.S.A." The red plug is inserted centrally in the parellelogram with the words "Trade-Mark" thereon.

On the other hand, all of the replacement heels retailed by respondent, known as the "Crusader" heels, and purchased wholesale from Essex Rubber Company of Trenton, New Jersey, have had embossed thereon besides the name "Crusader" the name of "S. S. Kresge" or "S. S. Kresge Company." Petitioner's exhibits 33, 59 and 79 so indicate. (See illustration following page 10 of Petitioner's Brief.)

All of the replacement heels sold at retail by respondent known as the "Surefoot" heels are manufactured and wholesaled to respondent by the O'Sullivan Rubber Company of Gettysburg, Pa. (R. 88). All of these heels have

embossed thereon the arbitrary name "Surefoot." These heels except for the two large men's heels which petitioner has seen fit to exhibit in its brief at page 10, known as Exhibits 37 and 54, have had embossed thereon the additional words "Gettysburg, Pa." which is the place where the heels are manufactured by the O'Sullivan Rubber Company. The trial Court so found (R. 127).

The trade names, the trade mark and the ornamental dress on each of the replacement heels retailed by respondent are not of its choosing. They were selected by and belong to the manufacturers (R. 17, 88, 89, 91).

Petitioner claimed by letter dated May 5, 1933 (R. 138) that the Crusader's head ornamentation in the color red and evidenced by petitioner's exhibit 79, was an infringement. By letter dated May 19, 1933 (R. 140) respondent S. S. Kresge wrote petitioner "We are entirely agreeable to requesting our manufacturer to use some other color unlike red." Petitioner agreed to this (R. 141) and the trial Court so found (R. 126).

On the same day respondent's buyer wired the Essex Rubber Company to discontinue making up for it Crusader heels with the ornamentation above mentioned in red. Thereafter, from June 6, 1933, until June, 1934, the Crusader heels in the same ornamentation with the name "S. S. Kresge Company" thereon were made up in the color orange as indicated by petitioner's exhibit 59. On June 14, 1934, petitioner wrote respondent relative to the Crusader heel, arbitrarily demanding (see exhibit 134—R. 143):

> "We now demand that you discontinue immediately the display and sale of rubber heels bearing circular marks in red, pink, orange, yellow or any other colors in which you have been or are using such marks."

On June 29, 1934, respondent notified the Essex Rubber Company to discontinue all shipments to its stores of the Crusader heel until "your Mishawaka trouble is straightened out" (R. 88). Thereafter, the molds were changed and beginning September 15, 1934, the Crusader heel was purchased from the Essex Rubber Company with the Crusader's head in hollow relief indented upon a diamond shaped mark in natural rubber color as evidenced by petitioner's exhibit 33. (See illustration following page 10 of Petitioner's Brief.)

In December of 1931 Essex Rubber Company first began using red as a color for its Crusader mark contrasting with the black rubber of its heels manufactured for replacement purposes (R. 89). Respondent, however, did not begin to purchase these heels from Essex Rubber Company until January 30, 1933 (R. 89).

The Surefoot heels were first manufactured as early as 1920 by the O'Sullivan Rubber Company, Inc. of New York City and Gettysburg, Pa. (R. 90). They were first purchased on or about July 1, 1934, by respondent, S. S. Kresge Company (R. 91). Petitioner claimed by letter dated August 11, 1934, that these heels were an infringement of its rights (R. 150). Correspondence with plaintiff's attorney continued to September 12, 1934, relative thereto (R. 151). In November of 1934, respondent ordered discontinuance of the Surefoot heels with the Indian head in the color red (R. 87). Thereafter the color was changed to green and purchases have continued (R. 91) in that color.

The Evergrip heel illustrated by Exhibit 48 has been manufactured by the Boston Woven Hose & Rubber Company since 1923 (R. 87). It was first purchased by respondent early in 1934, having as an identifying symbol in addition to the name "Evergrip" an American eagle in

a circular disk in the color white, but after approximately two months the color was changed to a beige or tan color as exhibited by petitioner's exhibit 48 following page 10 of its brief. The Court found no infringement as to this heel (R. 129) and we therefore omit further reference to it.

An analysis of the heels on display in the sixty-eight Kresge stores covered by petitioner's affidavits was made in July of 1935, just prior to the preliminary hearing on August 10, 1935 (R. 113). It disclosed that the Crusader heel with its ornamentation as heretofore described in the color red made up but 1.54% of the heels on display or a total of 173 heels out of 11,204; that the Surefoot heel with its ornamentation as heretofore described in the color red constituted but 8.52% of the heels on display of a total of 955 heels (R. 92).

When placed upon the sales counters of the respondent, S. S. Kresge Company, these various assorted heels ornamented, marked and named as above described, were segregated and so arranged as to provide a colorful and attractive display of merchandise (R. 93). They were never indiscriminately mixed together as petitioner contends, for the trial Court found (R. 129):

> "That the replacement heels offered for sale by the defendant, S. S. Kresge Company, when placed by them upon their counters, were never indiscriminately displayed together but were customarily and usually arranged in such a manner as to display a variety of the colored inserts to the prospective purchaser and without emphasizing any colored insert over any other colored insert, and in each instance segregating and massing particular colors together in order to provide an attractive display of the articles, but there is proof that subsequently some of these heels became indiscriminately mixed."

It is evident that not later than November, 1934 and long prior to the preliminary hearing in August of 1935, respondent had voluntarily discontinued the purchase for sale at retail of replacement heels with an ornamented trade-mark in either red or orange but declined to discontinue other contrasting colors as arbitrarily demanded by petitioner in June of 1934 (Exhibit 134—R. 192-3). Following this hearing respondent removed from its counters the very few heels with an ornamented trade-mark in which red appeared in any form. Since August 19, 1935 respondent has not offered such a heel for sale anywhere.

There is no proof in the record of a single purchaser being confused or misled because of the technical infringement found by the trial Court due to the use of the color red.

The points of dissimilarity between petitioner's trademark ensemble and the ornamental dress on the replacement heels sold at retail by respondent, but made and shipped to its stores by independent and wholly disconnected manufacturers may be graphically summarized by chart as follows:

COMPARATIVE SUMMARY CHART

	Petitioner MISHAWAKA CO		Respondent S. S. KRESGE CO.	
		1	2	3
		"Crusader" mfg. by Essex Rubber Co.	"Surefoot" mfg. by O'Sullivan Rubber Co.	"Evergrip" mfg. by Boston Woven Hose & Rubber Co.
GOODS:	Completed Footwear *only*	Replacement rubber heels only	Replacement rubber heels only	Replacement rubber heels only
TRADE-MARK	"Mishko" "Ball Band" in raised lettering, also "Mishawaka, Indiana" at bottom	"Crusader" in prominent raised lettering, also "S. S. Kresge Co." at the bottom	"Surefoot" in prominent raised lettering, also "Gettysburg, Pa." at bottom of all heels except very large men's heels known as Exhibits 37 and 54	"Evergrip" in prominent raised lettering
ORNAMENTATION: (1) Configuration	Disk or plug inserted in heel with words "Trade Mark" on top surface	Engraved bas relief or crusader head and helmet at first on circular background in depressed portion of heel but now on diamond background in depressed portion of heel	Engraved bas relief of Indian head in full feather headdress on circular background in depressed portion of heel	Engraved bas relief of spread American eagle on circular background in depressed portion of heel
(2) Colors used	Red only	At first red, then orange and now a crepe rubber color	At first red but now green	White and beige
(3) Shapes	Circular	At first circular but now diamond shape	Circular	Circular.
(4) Placement	Top surface above plane of heel surface; no depressed rim	Top surface below plane of heel surface; depressed rim	Top surface below plane of heel surface; depressed rim	Top surface below plane of heel surface; depressed rim

DISTRICT COURT'S FINDINGS OF FACTS AND AMENDMENTS THERETO

On page 15 of its brief petitioner discusses its version of the District Court's findings of fact.

In the interest of clarity we desire to point out that the District Court's original findings of fact and conclusions of law were filed December 6, 1938 (R. 120). Thereafter motions to amend were filed by both parties, a subsequent hearing was held, and extensive briefs filed by both parties (R. 124). On October 5, 1939, the District Court filed its amended findings of fact (R. 124). Subsequently petitioner filed a motion for an amendment of the amended findings of fact. A hearing was had on November 20, 1939 (R. 126), and thereafter on November 27, 1939, the District Court filed its additional amended findings of fact and conclusions of law (R. 126).

Immediately thereafter the Court ordered counsel for both parties to submit decrees and one month later, to-wit, December 29, 1939 (R. 131), it filed and entered its decree (R. 131).

The original findings, paragraph 9 (R. 122) quoted by petitioner on page 15 was very materially curtailed by paragraph h (R. 129) which reads as follows:

> "(h) There is, however, in the record no direct proof of any ordinary purchaser being misled into believing that heels marketed by the defendant were products of the plaintiff company."

Paragraph 12 (R. 122) quoted by petitioner on page 15 was materially altered by the District Court by paragraph V (R. 124) of the amended findings of fact and by paragraphs 2a, b and e (R. 128) of the additional amended findings of fact which reads as follows:

V.

"The remaining requests for amendments filed by the defendant become immaterial if the plaintiff's claim is limited to red or reddish colors, and are therefore disallowed.

2(a) There is no direct testimony that the defendant, S. S. Kresge Company, its agents and employees, did and there is testimony that they did not attempt to palm off in any instance its heels as the heels manufactured by the plaintiff company.

(b) I find that there is no proof that any purchases of heels from the defendant, S. S. Kresge Company, was motivated by a belief on the part of the purchaser that he was getting plaintiff's product but there is reasonable likelihood that some may have.

(e) That nearly all of the rubber heels which were on display in the S. S. Kresge Company stores covered by plaintiff's affidavits have borne in addition to the colored marks identifying trade marks, symbols or other indicia which further indicates that the heels being offered for sale by the S. S. Kresge Company were not the heels manufactured by the plaintiff."

Paragraph 10 (R. 122) quoted by petitioner on page 16 of its brief was materially altered by paragraph 2d of the additional amended findings of fact (R. 129) which reads as follows:

"(d) That the replacement heels offered for sale by the defendant, S. S. Kresge Company, when placed by them upon their counters were never indiscriminately displayed together but were customarily and usually arranged in such a manner as to display a variety of the colored inserts to the prospective purchaser and without emphasizing any colored insert over any other colored insert, and

> in each instance segregating and massing particular colors together in order to provide an attractive display of the articles but there is proof that subsequently some of these heels became indiscriminately mixed."

We think it may be fairly concluded that the only unfair competition of which respondent may be accused is its technical infringement by the use of the color red. There is no proof of any palming off nor is there proof of any confusion in fact.

The law of trade-marks is but a part of the law of unfair competition. *Cf. American Foundries v. Robertson,* 269 U. S. 372, 381.

Any technical trade-mark infringement constitutes in a sense unfair competition. To that extent, and not otherwise, the District Court found respondent had unfairly competed. There is no other proof in the record upon which such a finding could be premised.

Furthermore, we call to the Court's attention the District Court's amended finding of fact 2(j) (R. 129) which reads as follows:

> "(j) That the round red ball registered by plaintiff as its trade mark simulates the Japanese flag and is identical to the round red ball or 'rising sun' portion thereof."

Since petitioner's trade-mark simulates a foreign flag, it is doubtful whether it was ever entitled to registration under the Trade-Mark Act of 1905 (See Section 5) and the validity of its registration is therefore dubious.

SUMMARY OF ARGUMENT

I.

Since none of respondent's sales of replacement heels were attributable to the technical infringement here found due to the use of the color red, there were, therefore, no profits held by it as a trustee *ex maleficio* and none to be accounted for. Before there can be an accounting under Section 19 of the Trade-Mark Act petitioner has the burden, in the first instance, of proving that respondent has enjoyed profits attributable to the infringement. Both of the lower Courts found that none of respondent's sales were attributable to petitioner's circular red plug, hence petitioner is entitled to no more of an accounting than it received.

The degree of judicial interference necessarily depends upon the facts proved and found in each case. Here there being no sales attributable to the infringement, there should have been no accounting at all and the decree assures to each litigant that which equitably belongs to it and prevents an unjust enrichment of either at the expense of the other.

II.

An accounting for damages is awarded only to compensate for a pecuniary injury suffered from the infringement. Since the Court found that petitioner had lost no sales and since there is no proof that its business has been decreased or adversely affected, the Court was justified under the circumstances in refusing an accounting for damages.

III.

Sections 16 and 19 of the Trade-Mark Act of 1905 are not here applicable, there being no allegation in petitioner's pleadings nor finding of fact by either Court that

the retail sales by the S. S. Kresge Company of replacement heels manufactured and shipped to its stores by another, either were in interstate commerce, or interfered therewith. Therefore, the question of an accounting for profits or damages, or both, depends upon the local substantive law.

FIRST QUESTION

"WHERE ACCOUNTING OF PROFITS IS ORDERED FOR INFRINGEMENT OF A TRADE-MARK REGISTERED UNDER THE ACT OF 1905, ARE PROFITS RESTRICTABLE TO SALES TO PURCHASERS WHO WERE INDUCED TO BUY BECAUSE THEY BELIEVED THE GOODS TO BE THOSE OF THE TRADE-MARK OWNER AND WHICH SALES THE TRADE-MARK OWNER OTHERWISE WOULD HAVE MADE?"

I.

SINCE NONE OF RESPONDENT'S SALES OF REPLACEMENT HEELS WERE ATTRIBUTABLE TO THE TECHNICAL INFINGEMENT HERE FOUND, THERE WERE NO PROFITS TO BE ACCOUNTED FOR BY IT

> "Of course the result to be accomplished (in any accounting) is a rational separation of the net profits so that neither party may have what rightfully belongs to the other, and it is important that the accounting be so conducted as to secure this result, if it be reasonably possible," *Dowagiac Mfg. Co. v. Minnesota Plow Co.*, 235 U. S. 641, 647.

We think it may fairly be concluded from the evidence in this case, all of which was taken in affidavit form and none by testimony in open court (R. 116) that none of respondent's sales of replacement heels were attributable to its technical infringement because of the color red. Both the trial and appellate court so found.

The Circuit Court of Appeals found:

> (R. 154). Appellant's (petitioner's) shoe heels have been sold throughout the United States always as a part of its shoes, never separately.
>
> (R. 154). Appellee (S. S. Kresge Company) operates and maintains a large number of retail stores throughout the United States where it sells detached rubber heels and lifts manufactured for it by Essex Rubber Company, O'Sullivan Rubber Company, and the Boston Woven Hose & Rubber Company.
>
> (R. 158). There is no finding of fact in the case at bar, and we find no evidence in the record to support the inference that appellee (S. S. Kresge Company) adopted the symbol used on its heels for the fraudulent purpose of attracting to itself business or sales which belonged to appellant (petitioner), and there is no evidence that any such sales occurred.
>
> (R. 158-9). No justification is found in the record for an inference that anyone appears to have been deceived by appellee's (S. S. Kresge Company's) trade-mark into purchasing its shoe heels and lifts in the belief that he was purchasing shoe heels produced by appellant (petitioner).
>
> (R. 160). The words or phrases appearing on the respective marks here involved are so essentially dissimiliar as to lend no color to deceit.
>
> (R. 162). From the circumstances of this case there appears no reasonable probability that there was confusion or deception without evidence of the fact.
>
> (R. 162). The case of appellant is not very strong on the facts, yet it seems to be entitled to the carefully limited injunction and accounting for profits which was granted.

It is apparent from the foregoing that none of respondent's sales are attributable to its technical infringement here found because of the use of the color red.

The trial Court in its amended findings of fact reached the same conclusion. The following findings of fact were allowed by it:

(a) (R. 128). There is no direct testimony that the defendant, S. S. Kresge Company, its agents and employees, did and there is testimony that they did not attempt to palm off in any instance its heels as the heels manufactured by the plaintiff company.

(b) (R. 128). I find that there is no proof that any purchases of heels from the defendant, S. S. Kresge Company, was motivated by a belief on the part of the purchaser that he was getting plaintiff's product but there is reasonable likelihood that some may have.

(h) (R. 129). There is, however, in the record no direct proof of any ordinary purchaser being misled into believing that heels marketed by the defendant were products of the plaintiff company.

(c) (R. 128). There is no direct proof that the plaintiff, Mishawaka Rubber Company, has lost sales as the result of purchases made from the defendant, S. S. Kresge Company, of either the Crusader heel or the Sure-Foot heel with the trademark in the color red.

(d) (R. 129). That the replacement heels offered for sale by the defendant, S. S. Kresge Company, when placed by them upon their counters were never indiscriminately displayed together but were customarily and usually arranged in such a manner as to display a variety of the colored inserts to the prospective purchaser and without emphasizing any colored insert over any other colored insert, and in each instance segregating and massing particular colors together in order to provide an attractive display of the articles but there is proof that subsequently some of these heels became indiscriminately mixed.

(e) (R. 129). That nearly all of the rubber heels which were on display in the S. S. Kresge Company stores covered by plaintiff's affidavits have borne in addition to the colored marks identifying trade marks, symbols or other indicia which further indicates that the heels being offered for sale by the S. S. Kresge Company were not the heels manufactured by the plaintiff.

(g) (R. 129). That none of the heels supplied by the Boston Woven Hose & Rubber Company with a circular trade mark centrally located thereon used a red or reddish color and therefore did not infringe upon plaintiff's trade mark.

Equity is concerned with making a fair apportionment so that neither party will have what justly belongs to the other, *Cf. Sheldon v. Metro-Goldwyn Pictures Corp.*, 309 U. S. 390, 408, 60 S. Ct. 681; 688.

If respondent, S. S. Kresge Company derived no advantage from the technical trade-mark infringement here found, and obviously it did not because none of its sales are attributable thereto by either Court, "then there can be no decree for profits," see *Tilghman v. Proctor*, 125 U. S. 136, 146, 8 S. Ct. 894, 899; also *Sheldon v. Metro-Goldwyn Pictures Corp.*, 309 U. S. 390, 400, 60 S. Ct. 681, 684.

Petitioner should not be heard to complain because they here received a decree for an accounting greater than the evidence warranted, *Cf. Sheldon v. Metro-Goldwyn Pictures Corp.*, 309 U. S. 390, 408, 60 S. Ct. 681, 688.

It is, we believe, apparent from the facts here found by both Courts that petitioner is not entitled to any accounting for profits at all unless under Section 19 of the Trade-Mark Act it is given something it otherwise would not have received according to the course and principles of equity. As we have hereinafter attempted to show, we deny that Section 19 has any such effect or that it is applicable.

II.

THE DECREE IS NOT IN CONFLICT WITH THE TRADE-MARK ACT. SECTION 19 OF THE ACT IS PROCEDURAL, DOES NOT CREATE SUBSTANTIVE RIGHTS NOR REQUIRE IN EVERY CASE AN ACCOUNTING OF PROFITS. THE LOWER COURTS RECOGNIZED THESE PRINCIPLES AND THE DEGREE OF THEIR JUDICIAL INTERFERENCE NECESSARILY DEPENDED UPON THE FACTS PROVED AND FOUND IN THE CASE

Our position is that the Trade-Mark Act of 1905 did not create in registrants thereunder substantive rights, but procedural advantages only.

Neither did the Trade-Mark Act intend to deprive the Courts of their judicial function in awarding or withholding injunctive relief or in determining the extent thereof; nor in awarding or withholding an accounting for profits or for damages or both, or in determining the extent thereof according to the course and principles of equity. The Act, we submit, leaves it the function of the Court to determine if there have been sales attributable to the infringement and to determine also by its decree the profits from which sales there shall be an accounting.

Petitioner would interpret the Trade-Mark Act of 1905 in such a way as to confer jurisdiction upon the federal courts but at the same time to deprive the Court of its judicial function in determining when and by what norm and on what sales an accounting of profits should be awarded.

Section 19 of the Trade-Mark Act was not intended to create in the registrant substantive property rights but such rights rest upon the laws of the several states, *American Trading Company v. Heacock Company*, 285 U. S. 247, 258. Registration of a trade-mark under the

Act of Congress does not and can not have the effect of enlarging the rights of petitioner beyond what they would have been under common law principles, *United Drug Company v. Rectanus*, 248 U. S. 90, 99.

In *American Foundries v. Robertson*, 269 U. S. 372, at 381, the Court in discussing the Trade-Mark Act of 1905, said;

> "The general doctrine is that equity not only will enjoin the appropriation and use of a trademark or trade name where it is completely identical with the name of the corporation, but will enjoin such appropriation and use where the resemblance is so close as to be likely to produce confusion as to such identity, to the injury of the corporation to which the name belongs. *Cape May Yacht Club v. Cape May Yacht & Country Club*, 81 N. J. Eq. 454, 458; *Armington & Sims v. Palmer*, 21 R. I. 109, 115. *Judicial interference will depend upon the facts proved and found in each case.* (Italics ours.) *Hendriks v. Montagu*, L. R. 17 Ch. Div. 638, 648; *Higgins Co. v. Higgins Soap Co.*, 144 N. Y. 462, 469-471.
>
> These principles, it must be assumed, were in mind when Congress came to enact the registration statute. And, since that body has been given no power to legislate upon the substantive law of trade marks, it reasonably may be assumed, also, that, to the extent the contrary does not appear from the statute, the intention was to allow the registration of such marks as that law, and the general law of unfair competition of which it is a part, recognized as legitimate."

If as stated in the above quotation "judicial interference will depend upon the facts proved and found in each case" then the language of Section 19 of the Trade-Mark Act—"in addition to the profits to be accounted for"—does not require the federal courts at all times and at all events to

award profits, but leaves to the courts their judicial function to determine what sales are attributable to the infringement and hence what profits are to be accounted for in the accounting. After the court has delineated the class of sales for which an accounting of profits should be made, it is then incumbent upon registrant under Section 19 "to prove defendant's sales only; defendant must prove all elements of cost which are claimed."

But what sales must petitioner prove under Section 19? The statute is silent. It is therefore the Court's judicial function to delineate them in its decree based upon the proofs and the equities of the parties. The common denominator which seems to be present in all the cases is to require an accounting for "those sales attributable to the infringement."

The record abundantly justifies the conclusion that no part of respondent's profits either in whole or in part, on any of the replacement heels involved in this suit, are attributable to the very technical infringement here found resulting from the use of the color red. Petitioner not only has failed to prove the existence of any profits accruing to the S. S. Kresge Company attributable to its trademark, but the record shows and the trial court has found that petitioner has lost no sales and respondent has made no sales because of the markings here called in question (R. 128-130).

This Court rather recently in *Sheldon v. Metro-Goldwyn Pictures Corp.*, 309 U. S. 390, drew an analogy in its interpretation and application of the patent statute and applied the same to the copyright law. Because of the similarity in the language of these acts and the Trade-Mark Act, it would seem appropriate to extend the analogy to trademark cases. The copyright law (17 U. S. C. A. Sec. 25b) provides among other things:

> "And in proving profits the plaintiff shall be required to prove sales only and the defendant shall be required to prove every element of cost * * *."

Section 19 of the Trade-Mark Act (15 U. S. C. A. 99) uses practically the same identical language. It is said in the Sheldon case that the object is "to prevent an unjust enrichment by allowing injured complainants that which is theirs and nothing beyond this." As we have indicated above, respondent received no profits attributable to its technical infringement. It, therefore, has not been unjustly enriched and if the wholesome principles of equity recognized in the Sheldon case are by analogy applied in this case of technical trade-mark infringement, then the decree here under review assures to petitioner "that which is theirs, and nothing beyond this," *Cf. Sheldon v. Metro-Goldwyn Pictures Corp.*, 309 U. S. 390, 399, 60 S. Ct. 681, 684, also at p. 685 where it is said:

> "Both the copyright act and our decisions leave the matter to the appropriate exercise of the equity jurisdiction upon an accounting to determine the profits 'which the infringer shall have made from such infringement.'"

Here, as indicated, there were no profits "from such infringement."

III.

UNDER SECTION 19 OF THE TRADE-MARK ACT PETITIONER HAS THE BURDEN OF SHOWING THAT RESPONDENT HAS ENJOYED PROFITS ATTRIBUTABLE TO ITS TECHNICAL INFRINGEMENT, OTHERWISE THERE CAN BE NO ACCOUNTING

Section 19 of the Trade-Mark Act of 1905 (15 U. S. C. A. 99) provides in part as follows:

> "* * * and upon a decree being rendered in any such case for wrongful use of a trade-mark the complainant shall be entitled to recover, in addition to the profits to be accounted for by the defendant, the damages the complainant has sustained thereby, and the Court shall assess the same or cause the same to be assessed under its direction. * * *"

These identical words may be found in the similar statute respecting patents (Act of July 8, 1870, Section 55, 16 Stat. 198, 206 R. S. Sec. 4921, 35 U. S. C. A. 70).

It has been recognized that the Congress intended to produce a parallelism in these two statutes. See *American Foundries v. Robertson*, 262 U. S. 209, 215.

This being the case, it would seem appropriate to draw an analogy from this Court's interpretation of the patent statute and ask that the same construction be applied to the situation here at hand with respect to trade-marks.

In *Westinghouse Co. v. Wagner Manufacturing Co.*, 225 U. S. 604, the Court was concerned with the question of the burden of proof. It said in construing Section 4921 (R. 5):

> "(R. 614). The question as to who has the burden of proof, in cases like this, is one of great prac-

tical importance and constantly arises in patent cases.

(R. 615). In such case, if plaintiff's patent only created a part of the profits, he is only entitled to recover that part of the net gains. He must, therefore, give evidence tending to separate or apportion the defendant's profits and the patentee's damages between the patented feature and the unpatented features, and such evidence must be reliable and tangible, and not conjectural or speculative.

(R. 616). The rule is sound, for it but announces the general proposition that the plaintiff must prove its case and carry the burden imposed by law upon every person seeking to recover money or property from another. * * * The plaintiff proved its patent and that it had been infringed by the defendant * * * *but no matter how great its presumptive or actual value, it did not follow that the defendant had made a profit by the sale of the infringing transformers.* (Italics ours.)

(R. 617). The burden of apportionment was then logically on the plaintiff, since it was only entitled to recover such part of the co-mingled profits as was attributable to the use of its invention.

(R. 621). All the inconvenience of the confusion is therefore upon the party who produces it, and it is for him to distinguish his own property or lose it. It may be argued that, in its last analysis, this is but another way of saying that the burden of proof is on the defendant. And no doubt such, in the end will be the practical result in many cases, but such burden is not imposed by law; *nor is it so shifted until after the plaintiff has proved the existence of profits attributable to his inventions and demonstrated that they are impossible of accurate or approximate apportionment.* If then the burden of separation is cast on the defendant, it is one which justly should be borne by him, as he wrought the confusion."

It does not follow from the finding of a technical infringement that respondent received profits attributable thereto.

It is apparent, we believe, from the foregoing that in the first instance the burden rests upon petitioner to prove the existence of profits accruing to respondent from sales attributable to petitioner's trade-mark. After such proof by petitioner "the burden of apportionment was then logically on" it "since it was only entitled to recover such part of the co-mingled profits as was attributable to the use of its invention."

Either petitioner must prove the apportionment or introduce evidence to show that an apportionment is "impossible," *Dowagiac Mfg. Co. v. Minn. Plow Co.*, 235 U. S. 641 at 646; *Westinghouse Mfg. Co. v. Wagner Mfg. Co.*, 225 U. S. 604, at 642.

These interpretations of the statute in question were recognized recently in *Sheldon v. Metro-Goldwyn Pictures Corp.*, 309 U. S. 390, 60 S. Ct. 681, and applied to the copyright law, see p. 685.

The identical language of the Trade-Mark Act would seem to be entitled to the same interpretation placing the burden upon the registrant in the first instance of proving the existence of profits attributable to its infringed mark.

The Court of Appeals in our case recognized that the burden of proof in the first instance was upon petitioner to prove that respondent obtained profits attributable to its technical infringement (R. 161) but it found (R. 162):

> "From the circumstances of this case, there appears no reasonable probability that there was confusion or deception without evidence of the fact. Therefore, the burden was upon appellant to prove that appellee had made profits attributable in

> whole or in part to the use of appellant's trade-mark, even though they used identical or similar colors."

It also found (R. 158):

> "There is no finding of fact in the case at bar and we find no evidence in the record to support the inference that appellee adopted the symbol used on its heels for the fraudulent purpose of attracting to itself business or sales which belonged to appellant and there is no evidence that any such sales occurred. * * * No justification is found in the record for an inference that anyone appears to have been deceived by appellee's trade-mark into purchasing its shoe heels and lifts in the belief that he was purchasing shoe heels produced by appellant."

It is also evident from the findings made by the District Court that respondent received no profits attributable to petitioner's trade-mark (R. 128-9).

We submit that Section 19 of the Trade-Mark Act has been properly followed by the Court of Appeals in recognition of and in obedience to the decisions of this Court interpreting its scope and function.

Respondent's proofs affirmatively indicate that none of its sales of replacement heels were attributable to a palming off of its heels as the heels of petitioner.

Each of the sales girls selling rubber heels or heel lifts in each of the sixty-eight stores covered by petitioner's affidavits swore "that she has never sold nor endeavored to sell to a customer either the Crusader, the Surefoot or the Evergrip heel as the heel of, or manufactured by, Mishawaka Rubber & Woolen Manufacturing Company" (R. 104-112). Each of the store managers in the various stores

covered by petitioner's affidavits testified "that on all of the rubber heels which are on display in the said store and which have been offered for sale in the said store there have always been borne, in addition to the colored marks, above referred to, identifying trade-marks, symbols or other indicia and which further indicated clearly that the goods being offered for sale by the S. S. Kresge Company at the store are not the goods manufactured by the Mishawaka Rubber & Woolen Company" (R. 93-4).

In view of the findings of fact of each of the lower Court's and of the foregoing proofs, we submit that not only has petitioner failed to prove in the first instance the existence of profits attributable to its circular red plug but that respondent's proofs affirmatively show that it did not obtain, because of its technical infringement, any such profits.

If there were no such profits, then it is difficult to see any justification for a decree for any accounting at all, *Cf. Tilghman v. Proctor,* 125 U. S. 136, 146; *Sheldon v. Metro-Goldwyn Pictures Corp.,* 309 U. S. 390, 400; *Dowagiac Mfg. Co. v. Minn. Plow Co.,* 235 U. S. 641.

The record abundantly justifies a conclusion that no part of the Kresge profits, either in whole or in part, on any of the replacement heels involved in this law suit are due to any similarity of the marks here involved.

If Section 19 of the Trade-Mark Act of 1905, 15 U. S. C. A., Sec. 99, is interpreted similarly, by analogy, to the Patent and Copyright Acts, then we submit it is not intended to penalize the infringer, nor does it give to the registrant the profits not attributable to his mark. It is obvious that the S. S. Kresge Company derived no advantage and obtained no profit, either in part or in full, from having sold heels wholly dissimilar in their ornamental dress and other markings to those of petitioner, except

for the color red. Petitioner has not only failed to prove the existence of any profits to the S. S. Kresge Company attributable to its trade-mark, but the record abundantly shows and the Trial Court has found that petitioner has lost no sales and respondent has made no sales because of the markings here called in question (R. 128-130). There is no *prima facie* showing of any profits resulting to respondent from its very technical infringement. The proofs and findings affirmatively show the contrary.

Furthermore, petitioner has no good will in the replacement heel field. In the 68 Kresge stores covered by petitioner's affidavits in this case, there has never been a remembered call for its "Mishko" heels. There have been but nine known calls for "Ball Band" heels and these only in two stores over a period of from three to six years (R. 105-6-7). In 65 stores there has never been a known call for "Red Ball" heels. In only two stores there were five calls for such heels (R. 103-112). In addition to this affirmative proof of petitioner's complete absence of any goodwill in the replacement heel field, we have the findings of fact of each Court indicating that no confusion or deception occurred. The evidence likewise indicates that replacement heels with surface ornamentations in colors other than red sell equally as well, if not better, than those in red (R. 87).

It is reasonable to conclude, therefore, that those of the purchasing public who buy replacement heels either knew that petitioner does not manufacture and market a replacement heel or they had never heard of petitioner's heels, or they preferred others. In any event no one was misled and petitioner has failed to prove, in the first instance, any sales attributable to the technical infringement here found. Respondent holds no profits therefore, as a trustee *ex maleficio* for petitioner's benefit.

IV.

THE DECREE ASSURES TO EACH LITIGANT THAT WHICH EQUITABLY BELONGS TO IT AND PREVENTS AN UNJUST ENRICHMENT OF EITHER AT THE EXPENSE OF THE OTHER

The decree under discussion provides (R. 131):

> "It Is Further Ordered, Adjudged and Decreed that the defendant account to the plaintiff for profits unlawfully derived from those sales made by the defendant after May 19th, 1933, of rubber heels bearing a red or reddish circular mark indented upon the face portion thereof to purchasers who were induced to buy because they believed the heels to be those of plaintiff and which sales plaintiff would otherwise have made."

As we analyze the cases that come nearest to our set of facts, we believe that this decretal provision adequately and fairly sets forth the accounting relief, if any, to which plaintiff is entitled. This would give plaintiff the profits, if any, which defendant had "unlawfully derived from the violation of the plaintiff's rights" (See R. 123). It would give petitioner "that which is theirs, and nothing beyond this." *Cf: Sheldon v. Metro-Goldwyn Pictures Corporation*, 60 S. Ct. at p. 684.

It must be remembered that the respondent is selling heels and heel lifts only in the replacement heel field and therefore its sales are made only to those who have outworn the original set of heels and who themselves propose either to apply a new set of heels or take the replacement heels to someone for that purpose.

On the other hand, the petitioner does not manufacture rubber heels or heel lifts for replacement purposes. It does not wholesale its heels to anyone for the purpose of replac-

ing worn heels or even new heels. It does not use its heels in the American market for any purpose except to be attached to the finished footwear which it wholesales. Respondent's field of commerce is far removed from petitioner's field of commerce, both as to time, as to potential purchasers and as to the stores where sold.

That portion of the decree which requires an accounting for those sales "to purchasers who were induced to buy because they believed the heels to be those of plaintiff" requires respondent to account for those of its sales which are attributable to its technical infringement caused by the presence of the color red. It prevents respondent from retaining those profits which rightfully belong to petitioner from sales induced by its circular red plug. Except for this similarity in color the heels are so dissimilar otherwise in appearance, name, marking and ornamental dress that no confusion could (and none did) result. The Appellate Court so found (R. 161).

In view of *Dowagiac Mfg. Co. v. Minn. Plow Co.*, 235 U. S. 641, *Westinghouse Co. v. Wagner Mfg. Co.*, 225 U. S. 604, *Sheldon v. Metro-Goldwyn Pictures Corp.*, 309 U. S. 390, it would seem to be the correct delineation of those sales which should be accounted for "so that neither party may have what rightfully belongs to the other."

An accounting does not necessarily follow as a matter of course from a technical infringement, *Gordon's Dry Gin Co. v. Eddy*, 246 Fed. 954-956, *Saxlehner v. Siegle Cooper Co.*, 179 U. S. 42, *Straus v. Notaseme Co.*, 240 U. S. 179.

In this regard Michigan law which we claim governs as to substantive law, recognizes and relies upon *Straus v. Notaseme Company, supra;* see *Liberty Oil Corporation v. Crowley Milner Company*, 270 Mich. 187, 193.

There is such a striking parallel between the Michigan law and the Federal law, as the Circuit Court recognized (R. 157), that we quote at length from Mr. Justice Holmes' opinion therein (p. 182):

> "We assume that, coupled with the script upon the band, there is sufficient pictorial similarity to deceive some persons, but, unless we go considerably farther, to charge the defendants with all the profits would be unjust.
>
> "The question remains whether the petitioners' sales probably were induced to any large extent by confusion in the mind of the public between the petitioners' goods and the plaintiff's. The goods were different in character, were called by a different name, were sold mainly in different places and by parties not likely to be mistaken for each other. The petitioners had advertised them as Irontex since April, 1908. Their business was that of retailers in the city of New York, where they were widely known. The Notaseme Company's business was wholesale, from Philadelphia, starting with New England and the South. *So far as purchasers bought* because the petitioners recommended the goods, or on the strength of the name, by whatever recommended, as distinguished from the colors and figures of the label, or from knowledge of the specific article, or from preference for full fashioned over seamless hose, or *for any reason but the inducement of the red square, bar, and script supposed to indicate the plaintiff's hose, the plaintiff has no claim on the petitioner's profits.* (Italics ours.)
>
> "There is some indication that the plaintiff's business was mainly in hosiery for men, while Macy & Company's was more than three-quarters for women and children. That the name, which the defendants do not imitate, but, on the contrary, exclude by using another wholly unlike it, was thought more important by the plaintiff than it

> now is willing to admit, is shown not only by the use of it upon the trade-mark proper, but by the adoption of a new name for the plaintiff company to conform to it. Taking all these considerations into account coupled with the absence of evidence that any deceit or substitution was accomplished in fact, we find it impossible to believe that any considerable part of the petitioner's business was due to their goods being supposed to be the plaintiff's hose. The petitioners properly were enjoined from further use of the mark in controversy, but, so far as the decree charged them with profits, it is reversed."

All of the matters discussed by Mr. Justice Holmes in the quoted provisions above are equally applicable and may be repeated with respect to the difference between the replacement heels sold by the respondent, S. S. Kresge Company, only at retail and the heels of petitioner manufactured for use only in connection with its finished footwear and never sold at wholesale or at retail for replacement purposes. To borrow Justice Holmes' language, respondent's and petitioner's heels "were different in character, were called by a different name, were sold mainly in different places and by parties not likely to be mistaken for each other." The Court of Appeals so found (R. 158, 161).

The object is to prevent an unjust enrichment of the infringer but not to penalize him. On the other hand petitioner is not entitled to any windfalls. *Cf. Sheldon v. Metro-Goldwyn Pictures Corp.*, 309 U. S. 390.

Insofar as purchasers of replacement heels bought for any reason (price, store location, convenience, necessity, etc.) but the inducement of petitioner's circular red plug—the profits thereon must equitably, in view of the foregoing, belong to respondent.

That portion of the decree which reads "and which sales plaintiff would otherwise have made" must, of course, be read conjunctively in connection with the previous phrase and with respect to its context in the entire sentence. If "purchasers were induced to buy because they believed the heels to be those of plaintiff" then *prima facie* those would be the sales which "plaintiff would otherwise have made" and for which it would be entitled to recover on the accounting.

However, as we have argued *ante* under heading I on page 12 of this brief, we maintain that none of respondent's sales of replacement heels were attributable to its technical infringement here found and that therefore none of its profits either in whole or in part may be attributed to its use of the color red. As we read the decree it prevents petitioner from obtaining a windfall which both the lower Courts felt upon the equities it was not entitled to receive and yet it assures that each party will receive "that which is theirs and nothing beyond this."

Petitioner on page 23 of its brief relies upon *Aladdin Mfg. Co. v. Mantle Lamp Co.*, 116 F. 2d 708, but on p. 714 of the opinion in that case we find the following:

> "Profits are awarded appellant upon the ground that appellee, by its acts, has gained something which in fact belongs to appellant and *which would have otherwise been earned by appellant.*"

Here petitioner never has engaged in the replacement heel business in the American market. It has consistently refused to do so. By its actions it has left the field open to others. The decree gives it what "would have otherwise been earned by" it.

The phrase under discussion finds further justification, if any is needed in addition to the equities of the parties

here involved, in *Vogue Co. v. Thompson-Hudson Co.*, 300 Fed. 509 (6 C. C. A. 1924) and *Rushmore v. Badger Brass Mfg. Co.*, 198 Fed. 379.

In *Vogue Company v. Thompson-Hudson Company, supra,* plaintiff had been the publisher of the magazine "Vogue" since 1892. The defendant sold hats representing to the public through its saleswomen that its hats in some manner were vouched for or sponsored or approved by the plaintiff. In spite of this deliberate plagiarism the Court said:

> "However, we find no satisfactory basis for an accounting against either the manufacturer or retailer for profits or damages. The case is peculiarly one where such damage as has occurred, like that which is still in prospect, is incapable of computation. We see no reasonable probability that any substantial damages could be proved and reduced to dollars and cents with that degree of accuracy that is essential in such a case. Nor does this conclusion—that there should be no accounting—make it necessary to decide whether plaintiff is entitled to relief strictly as for trade-mark infringement. *Those cases in which plaintiff in such a suit has been awarded all the profits which defendant received from the sale of the articles wrongfully trade-marked, have been cases in which, by the theory of the law, the plaintiff had lost the sales.*"

In the foregoing case the Court adopted the quoted rule on accounting but said it was unnecessary to decide whether there was trade-mark infringement, saying on page 511:

> "Whether we consider the case as one of technical trade-mark or so-called unfair competition, and if we consider plaintiff's rights as confined to the use of this 'V-Girl' and the capital letter 'V' in

> its dominating relation to the remainder of the word, the defendant's appropriation of plaintiff's dress is not to be disputed."

In *Rushmore v. Badger Brass Mfg. Co., supra,* the defendant unnecessarily and knowingly imitated his rival's automobile lamp in non-functional features which the Court of Equity enjoined, stating, however, that the conclusion reached "carried the doctrine of unfair competition to its utmost limit." We quote:

> .. "It seems to us unfair that the complainant should recover profits on the sale of lamps by the defendant to persons who never heard of Rushmore, and were well aware that the lamps they bought were made by the defendant, and who bought them because they were so made. *A decree for profits and damages does not necessarily follow a decree for an injunction. • • • We think the accounting should be limited to sales where it is shown by direct or presumptive evidence that the complainant would have sold the lamps but for the sale by the defendant."* • • •

This is especially apposite here because petitioner does not market a replacement heel or heel lift and it has no good will in that field. Under the circumstances here the Circuit Court found "there appears no reasonable probability that there was confusion or deception without evidence of the fact" (R. 162).

We paraphrase from the above case:

> "The accounting should be limited to sales where it is shown by direct or presumptive evidence that the petitioner would have sold the heels but for the sales by the respondent, S. S. Kresge Company."

V.

THE CASES RELIED UPON BY PETITIONER RECOGNIZE THAT THERE MUST BE A SHOWING OF PROFITS ATTRIBUTABLE TO THE INFRINGEMENT BEFORE THERE CAN BE AN ACCOUNTING

Petitioner relies upon and strongly stresses *Hamilton-Brown Shoe Company v. Wolf Bros. & Co.*, 240 U. S. 251. In that case the accounting was "limited to shoes sold by the defendant since the filing of the bill in this case, and which were marked with the name 'American Lady,' and not accompanied with any other mark clearly indicating that such shoes were of the manufacture of the Hamilton-Brown Shoe Company" (p. 254).

The defendant there, relying upon the case of *Westinghouse Mfg. Co. v. Wagner Mfg. Co., supra*, contended that it was incumbent upon the owner of the trade-mark to prove an opportionment of the profits attributable to the infringement, but the Court found on the facts that an apportionment of profits was "inherently impossible" saying at p. 261:

> "Assuming the asserted analogy to patent cases to exist, a sufficient reason for not requiring complainant in the present case to make an apportionment between the profits attributable to defendant's use of the offending mark and those attributable to the intrinsic merit of defendant's shoes is that *such an apportionment is inherently impossible.* * * * and it is to be remembered that defendant does not stand as an innocent infringer."

This distinction and analysis of the *Hamilton-Brown Shoe Company* case was recognized by Chief Justice Hughes in the opinion in *Sheldon v. Metro-Goldwyn Pictures Corp.*, 309 U. S. 390 at p. 405.

Furthermore a previous appeal in the *Hamilton-Brown Shoe Co.* case found in 206 Fed. 611 indicates that the owner of the trade-mark proved the existence of profits attributable to the infringement, for on page 615 it is said:

> "When appellee (the infringer) entered the field with its rival trade-name, appellant's business immediately fell off. Actual confusion in the mind of the consuming public was shown, and damage to appellant is legitimately to be presumed. The injury to its business was at least reasonably certain."

There are no proofs of such a nature in the case at bar.

* * * * *

In the case of *Duplate Corporation v. Triplex Company*, 298 U. S. 448, relied upon by petitioner on page 21 of its brief, it is evident on page 451 of the opinion that "the effect of the infringement had been to drive the complainant out of business" and resulted in very large profits to the infringer.

In the case of *Aladdin Mfg. Company v. Mantle Lamp Company*, 116 F. 2d 708, relied upon by petitioner on page 23, the appellant proved (p. 714) deliberate effort on the part of the infringer to profit wrongfully from its magazine and radio advertising. The Court of Appeals found (p. 714) that there were numerous sales in seven states "in which false representations were made resulting in selling to appellant's dealers goods of appellee (the infringer) as those of appellant." The Court found further (p. 716) "that the acts of the infringer were wanton, wilful and intentionally fraudulent, not only in infringement but also in unfair competition."

In the case at bar respondent's proofs, on the contrary, affirmatively indicate that none of its heels were purchased because of confusion in the mind of the consuming public

(see *ante* pages 12, 23). Furthermore, the opinion in the Aladdin case indicates that profits from sales not attributable to the infringement should be excluded from the accounting there ordered for the Court did as much in excluding therefrom the profits from the sale of "Aladdin smoking stands" and "Aladdin smoking trays" (p. 712).

In the case of *Trappey v. McIlhenny Co.*, 12 Fed. 2d 19, relied upon by petitioner on page 24 of its brief, the decree provided that the defendant account to the plaintiff for any and all profits derived by them by reason of the infringement. The Court recognized on page 20 that "the burden was on appellee to establish the amount of appellant's profits" but found that its books were in an unsatisfactory condition and (21) "contained evidence of a purpose on the part of appellants to make it untruly appear that no profits had been realized." It was therefore said that the rule in the Hamilton-Brown Shoe Company case with respect to apportionment of profits when "inherently impossible" should be applied.

The case of *Duro v. Duro*, 56 Fed. 2d 313, relied upon on page 24 of petitioner's brief, is likewise inapplicable.

The second appeal found in 56 F. 2d 313, and relied upon by petitioner, deals principally with a determination of the proper "elements of cost" provable by defendant under Section 19 of the Act in arriving at the actual figures in the accounting ordered. It is clear, we submit, that the Court awarded an accounting not for all of defendant's sales but for only those profits from defendant's sales which were attributable to the infringement, for on page 313 it is said:

> "The matter was referred to a Master, to take the usual accounting and report to the Court the *defendant's profits by reason of the infringement or damages caused by its wrongful acts.*"

There was proof in the Duro cases indicating either actual or reasonably probable deception and confusion, for in the District Court's opinion found in 27 F. 2d 336 at p. 338, we find the following finding (p. 338):

> "The plaintiff was the first to adopt the name 'Duro' as applicable to its electrical product. *By the unwarranted use by the defendant of this name undoubtedly purchasers were misled.* A man purchasing a Duro engine, and requiring a new spark plug, would undoubtedly seek a Duro plug. The Duro plugs are made of a size to fit exactly in the Duro engine. The difference in letter arrangement would not enable the purchaser to detect the simulated article. The plaintiff is entitled to the reputation his goods have acquired under the term 'Duro,' whether this name be a surname or not, and whether it is a technical trade-mark or not. *The essence of the wrong is the sale of these electrical goods for those of the plaintiff.*"

and in the Court of Appeals opinion in the first appeal found in 27 F. 2d 339, the following finding is made (p. 339):

> "As the goods of both companies are sold by the same class of dealers, it is quite clear that the owner of a Duro engine might well assume that a spark plug, marked 'Duro' and furnished by the same dealer as his Duro engine, was a replacement made by the maker of the Duro engine; and if so misled into purchase, and the spark plug proved unsatisfactory, the impairment of good will resulting therefrom would fall upon the maker of the Duro engine * * * (p. 340) but under the surrounding circumstances (we) limit the accounting from the date of the filing of the bill."

Here again the difference in the facts at bar equitably entitle petitioner to no more than it received, if as much.

Petitioner on page 25 of its brief asserts that the Sixth Circuit Court of Appeals in *Dickinson v. O. & W. Thum Co.*, 8 F. 2d 570, enunciated principles of law contrary to the principles set forth by the same Court speaking through Judge Hamilton's opinion in this case (R. 153).

We deny this and assert furthermore that the principles recognized in *Dickinson v. Thum* were the same as we contend for here. On page 573 of the opinion it is said:

> "It is insisted that the burden was on plaintiff to prove that defendant had made profits attributable in whole or in part to the infringing use of its trade-mark, and that the evidence does not support a finding that there were any so attributable. It would seem that this contention is precluded by our former opinion. *If it had been otherwise, an accounting of profits and damages would not have been ordered.* Be this as it may, the master was plainly right in finding that defendant had made profits attributable in whole or in part to the use of plaintiff's trade-mark. It had already been conclusively established that defendant was a willful infringer of a valid trade-mark."

If the foregoing principle is applied here then petitioner should have no accounting at all because there were no sales attributable to the technical infringement here found.

The facts in the Dickinson case further indicated that there had been a wrongful commingling and confusion of profits by the infringer and that therefore the principle enunciated in the Hamilton-Brown Shoe Company case that the owner of the infringing mark should have all of the profits when they were wrongfully commingled and

when it was "inherently impossible" to apportion them, was applicable (p. 574).

We believe it is evident from the foregoing analysis that in each of the cases discussed above which have been relied upon by petitioner there were proofs introduced by the owner of the trade-mark indicating that the infringer had received profits attributable in part or in full to the infringement and that such proof justified the accounting, "otherwise, an accounting of profits and damages would not have been ordered."

Furthermore, if the facts show that there had been a wrongful commingling and confusion of these profits by the infringer, then if it were "inherently impossible" to apportion them, the wrongdoing infringer must suffer as a result of his commingling and account for all the profits impossible of apportionment. Such, however, is not our case.

The Court of Appeals in the case at bar recognized this theory for the recovery of profits by way of accounting when it said (R. 161-2):

> "But before he is entitled to an accounting of profits for the use of his mark, the burden rests on him to show by a fair preponderance of evidence that either actual or reasonably probable deception or confusion has resulted and regard must be given to the class of persons who purchase the articles and to the circumstances ordinarily attending their sale. From the circumstances of this case, there appears no reasonable probability that there was confusion or deception without evidence of the fact."

The Court of Appeals also found (R. 158):

> "There is no finding of fact in the case at bar and we find no evidence in the record to support

> the inference that appellee adopted the symbol used on its heels for the fraudulent purpose of attracting to itself business or sales which belonged to appellant and there is no evidence that any such sales occurred. * * * No justification is found in the record for an inference that anyone appears to have been deceived by appellee's trade-mark into purchasing its shoe heels and lifts in the belief that he was purchasing shoe heels produced by appellant."

It is, we believe, apparent from the foregoing that respondent S. S. Kresge Co. obtained no sales attributable to its very technical infringement, and it may truthfully be said, therefore, that it holds none of its profits as a trustee *ex maleficio*. See *Hamilton Brown Shoe Company v. Wolf Brothers & Company*, 240 U. S. 251, at p. 259, where the theory of a trustee *ex maleficio* is discussed.

SECOND QUESTION

"WHERE A DECREE IS RENDERED FOR WRONGFUL USE OF A TRADE-MARK REGISTERED UNDER THE ACT OF 1905 AND THE DISTRICT COURT WHOSE JUDGMENT IS AFFIRMED FOUND THAT DEFENDANT'S INFRINGEMENT TENDED TO DESTROY PLAINTIFF'S GOOD WILL TO AN EXTENT BEYOND THE PARTICULAR ARTICLES AS TO WHICH PROFITS ARE AWARDED, SHOULD DAMAGES BE DENIED?"

PART II

I.

THE LOWER COURTS WERE JUSTIFIED IN VIEW OF THE ABSENCE OF RELIABLE PROOF OF DAMAGES IN NOT AWARDING AN ACCOUNTING THEREFOR

Petitioner predicates its claim for damages upon paragraph 11 of the original findings of fact of the District Court dated December 6, 1938. This reads (R. 122):

> "11. The heels sold by the defendant were of inferior quality as compared to the heels manufactured and sold by the plaintiff and attached to their product and this tended to destroy the good will created by the plaintiff in the manufacture of its superior product. Likewise, when one of the defendant's heels was attached to footwear not manufactured by the plaintiff it would tend to cause purchasers to believe that the entire article of footwear was manufactured by the plaintiff."

However, the above finding must be considered in the light of its subsequent amended findings of fact made November 27, 1939:

"(R. 128) (c) There is no direct proof that the plaintiff, Mishawaka Rubber Company, has lost sales as the result of purchases made from the defendant, S. S. Kresge Company, of either the Crusader heel or the Sure-Foot heel with the trade-mark in the color red."

"(R. 129) (h) There is, however, in the record no direct proof of any ordinary purchaser being misled into believing that heels marketed by the defendant were products of the plaintiff company."

"(R. 129) (e) That nearly all of the rubber heels which were on display in the S. S. Kresge Company stores covered by plaintiff's affidavits have borne in addition to the colored marks identifying trade marks, symbols or other indicia which further indicates that the heels being offered for sale by the S. S. Kresge Company were not the heels manufactured by the plaintiff."

It is evident from the foregoing that the tendency to injure petitioner's goodwill was threatened and not actual otherwise its sales would have been impaired. It is further evident that the tendency to cause purchasers confusion as to origin did not actually result in confusion. In the opinion of the District Court it was only a threatened condition.

Reading this quoted paragraph (par. 11, R. 122) of the District Court's original findings in the light of its context in the document wherein it is found and in the light of the subsequent amended findings of fact and of the evidence upon which it must necessarily be based, we think the Trial Court meant that such an injury to petitioner's goodwill was only threatened.

This finding of a *tendency* was intended by the District Court to justify the injunctive relief thereafter ordered in the same document (R. 123), but we submit,

was not intended to justify any accounting for damages, otherwise the Court would have said so. Tendency denotes a movement, course or a bias in a particular direction. There is no evidence in the record upon which to predicate a finding that petitioner's goodwill had actually been impaired. There was only a tendency to injure it which the Court sought to prevent by its injunction enjoining the use of any "red or reddish" circle on heels sold by respondent.

Had the District Court felt that petitioner was actually damaged as distinguished from the threat or a tendency to damage, it is only reasonable to suppose that in paragraph 5 of its conclusions of law (R. 123) it would have ordered an accounting for damages. It ordered (R. 123) "A decree may be ordered enjoining the defendant from the use of any red or reddish circular ball figure in rubber heels sold by it and providing for an accounting for profits unlawfully derived from the violation of the plaintiff's right." When reconsidered later it again refused to decree an accounting for damages on December 29, 1939; when it settled the decree here in question (R. 131). It then had before it petitioner's proposed decree which included an accounting for damages (Original R. 310) which it refused to enter.

The testimony supporting petitioner's claim of damage may be found in the Fink affidavit (R. 59) and in the Bryan and Keene affidavits discussing the so-called "wear test" (R. 66).

Petitioner's president, Mr. Fink, swore (R. 59) "and it is believed that said acts have been and are causing a very great amount of damage to plaintiff and that unless restrained by preliminary injunction, defendant will continue to commit the acts complained of and will thereby cause plaintiff further very great and irreparable damage." We

made timely objection to the admissibility of this in paragraph (i) of our objections to evidence (R. 118).

This objection was discussed at the trial on April 20, 1938 (R. 119-120) and the District Judge indicated that such a statement under oath by petitioner's president "will not be governed as damages to the plaintiff" (R. 120).

The only other proof on the question of damage to good will in the record is in the Bryan and Keene affidavits (R. 65-66). Bryan and Keene were employees of petitioner. On August 21, 1934, Keene started wearing a pair of shoes, one of which used a Surefoot rubber heel and the other petitioner's Mishko rubber heel. He wore these shoes until December 13, 1934, or approximately four months. Bryan's wear test covered one of respondent's Crusader heels and extended from August 30, 1934, to April 26, 1935, or about eight months. Both swore in their affidavits that both heels and marks showed considerable wear and (R. 66) "although the two heels were worn by me simultaneously and for the same identical length of time, the Surefoot heel (and the Crusader heel (R. 21)) showed more effects of wear than the plaintiff's heel." The identity of wording is petitioner's.

Both affidavits are silent as to the relative merits of the two heels with respect to their qualities of comfort and resiliency. We doubt if the witnesses' conclusions are admissible in evidence or worth much as proof of wearing quality, but if they are admissible, it still does not prove superiority of petitioner's product over the heels sold by respondent. Superiority of replacement heels is a relative matter and can not be determined solely by the "effects of wear." If it were, iron heels would still be in vogue.

Furthermore, we are not informed as to the conditions under which these heels were worn or whether Bryan and

Keene's personal habits or idiosyncrasies might make them harder on one heel or on one shoe than the other. They might ordinarily wear one heel faster or differently than the other as practically everyone does.

In the light of the record we submit that the District Court did not consider its finding as a finding of actual damage, otherwise as we have said heretofore, it seems reasonable to conclude that it would have provided for the same in its conclusions of law in the same document. The original finding relied upon by petitioner was made December 6, 1938. A year later the District Court on November 27, 1939, found (R. 128):

> "(c) There is no direct proof that the plaintiff, Mishawaka Rubber Company, has lost sales as a result of purchases made from the defendant, S. S. Kresge Company, of either the Crusader heel or the Surefoot heel with the trade-mark in the color red."

The tendency "to destroy the goodwill" (R. 122) found by the District Court on December 6, 1938, did not in its opinion result in any actual destruction thereof for there is no such evidence in the record nor was there any pecuniary injury to petitioner for manifestly the District Court would not have thereafter found that petitioner lost no sales.

In Michigan it is held that (*Oil Corp. v. Crowley, Milner & Co.*, 270 Mich. 187, at 195):

> "Plaintiff's claim for damages other than the loss of the profits on the oil sold by the defendant must be founded upon proof that the customers whom it has lost by reason of the sales made by the defendant will not return to it and that the business it had established has been injured thereby. • • •

> "Damages for infringement or unfair competition in a suit in equity must be confined to the loss actually sustained by plaintiff as the direct and natural consequence of such acts, and damages which are uncertain or speculative cannot form the basis of a recovery."

This Court has said:

> "It is well understood that such evidence must show damages to reasonable certainty. Mere 'plausible anticipation' does not merit consideration nor are flights into the realm of pure speculation entitled to be treated as evidence." *Connecticut Ry. & Lighting Company v. Palmer,* 305 U. S. 493-505.

The lower courts evidently felt as did the 6th Circuit Court in *Vogue Co. v. Thompson-Hudson Co.,* 300 Fed. 509, when it said:

> "The case is peculiarly one where such damage that has occurred, like that which is still in prospect, is incapable of computation. We see no reasonable probability that any substantial damages could be proved and reduced to dollars and cents with that degree of accuracy that is essential in such a case."

Unless Section 19 of the Trade-Mark Act grants to registrants something in the way of damages they otherwise would not have received (which we deny) then, we submit, in view of the foregoing the decree as it is, is correct.

II.

THE CIRCUMSTANCES HERE DID NOT JUSTIFY AN ACCOUNTING FOR DAMAGES UNDER THE TRADE-MARK ACT WHICH ONLY REQUIRES SUCH AN ACCOUNTING IN THE PROPER CASE TO BE DETERMINED BY THE COURT

We maintain that the Trade-Mark Act does not require an accounting for damages at all times and in all cases but the degree of "judicial interference will depend upon the facts proved and found in each case. These principles, it must be assumed, were in mind when Congress came to enact the registration statute." *American Foundries v. Robertson*, 269 U. S. 373, 381.

Prior to the adoption of the Trade-Mark Act of 1905, being 15 U. S. C. A. 99, there was considerable doubt whether in the same case in a court of equity the owner could recover profits attributable to the infringement and in addition thereto, the damages sustained from the infringement. The Trade-Mark Act removed this doubt.

In the *Aladdin* case, 116 F. (2d) 708, relied upon by petitioner, it is clear from the court's opinion that the purpose of Section 19 of the Trade-Mark Act of 1905 was to permit the recovery in a proper case of both profits and damages. On page 715 it is said:

> "Under the act covering trade-marks, Title 15 U. S. C. A. Section 99 * * * The procedure is analogous to that in patent cases."
>
> "Before passage of the act of 1870, 16 Stat. 270, two remedies were open to the owner of a patent whose rights had been infringed, and he had his election between the two. He might proceed in equity and recover the profits which the infringer had made by the unlawful use of his invention, the

> infringer in such a suit being regarded as trustee of the owner of the patent as respects such gains and profits; or he might sue at law, *in which case he would be entitled to recover as damages, compensation for the pecuniary injury suffered by the infringement;* the measure of damages in such case being not what the defendants had gained but what the plaintiff had lost."

There is no proof in the case at bar that petitioner has suffered a "pecuniary injury * * * by the infringement" here found.

It is said in *Hamilton-Brown Shoe Company v. Wolf Brothers & Company* (1915), 240 U. S. 251, at 259:

> "In the courts of England, the rule seems to be that party aggrieved must elect between damages and profits and cannot have both. In this country, it is generally held that *in a proper case* both damages and profits may be awarded."

We believe it to be clear that the judicial function of determining whether the "proper case" was presented and proved, was not interfered with by the Trade-Mark Act.

There is no proof that petitioner has lost sales. The Court so found (R. 128). Petitioner has offered no proof that it has lost any of its customers or that it was compelled to reduce its prices. It has offered no proof that its business, because of the technical infringement here found, was thereby decreased or injured nor that its advertising in any manner was thereby adversely affected or frustrated. We have here solely an instance of a technical trade-mark infringement with no palming off or other deceitful practice or hurtful competition.

In applying Rev. Stat. Section 4921 in *Dowagiac Mfg. Co. v. Minn. Plow Co.*, 235 U. S. 641, 647, heretofore relied upon, this Court held that where damages are sought for infringing sales and it does not appear that the plaintiff thereby lost the sale of a like number of machines or of any definite or even approximate number, no adequate basis is laid for an assessment of damages upon the ground of lost sales.

Petitioner argues on page 29 of its brief that "by associating the heels with marks in colors other than red, respondent imparted to the non-infringing heels the same significance of origin as the infringing heels. There is no proof justifying such an argument. It may be theory but it is not the fact. The same theory was argued in *Ammon & Person v. Narragansett Dairy Co.*, 254 F. 208 (aff'd. 262 F. 880) where the court said at p. 209:

> "The plaintiff's contention that the word 'Queen' alone had become so associated with plaintiffs' goods, that it meant to the public plaintiffs' goods, and that therefore defendant's profits are presumably due to that meaning, finds little support in the evidence. The contention is based rather upon a theoretical presumption than upon any substantial testimony. (The same may be said with respect to the case at bar.)
>
> "To apply in this case a presumption that purchasers who ordered goods from the defendant's factory, or who purchased goods packed in defendant's cartons (which could not be mistaken for plaintiffs'), did so because of any knowledge of plaintiffs' reputation or connection with the goods, would be highly unreasonable. Presumptions are never allowed against ascertained and established facts; when these appear presumptions disappear. *Lincoln v. French*, 105 U. S. 617, 26 L. Ed. 1189."

There has not been an infringing heel on respondent's counters since August 19, 1935. The District Court on November 27, 1939 (R. 129), found that there was no proof of any ordinary purchaser being misled into believing that any of the heels marketed by respondents were products of petitioner. The Circuit Court of Appeals in its opinion dated April 18, 1941, said (R. 158):

> "There is no finding of fact in the case at bar, and we find no evidence in the record to support the inference that appellee adopted the symbol used on its heels for the fraudulent purpose of attracting to itself business or sales which belonged to appellant and there is no evidence that any such sales occurred. * * * No justification is found in the record for an inference that any one appears to have been deceived by appellee's trademark into purchasing its shoe heels and lifts in the belief that he was purchasing shoe heels produced by appellant."

We submit that petitioner's point falls of its own weight.

In the interests of clarity we desire to say a few words relative to the cases relied upon by petitioner under this heading.

In *Story Parchment Co. v. Paterson Parchment Paper Co.*, 282 U. S. 555, relied upon by petitioner on page 32 of its brief the Court said (561):

> "In pursuance of the conspiracy (an unlawful combination in violation of the Sherman Anti-Trust Act) respondents sold their goods below the point of fair profit, and finally below the cost of production * * *. There was evidence of the prices received by petitioner before the cut prices were put into operation, and those received after, showing actual and substantial reductions, and

> evidence from which the probable amount of the loss could be approximated."

The Court also found (R. 567) that petitioner had been compelled to close its business as a result of the unlawful combination. The evidence thus indicated that the fact of damages was certain and obvious.

In *Straus v. Victor Talking Machine Co.*, 297 Fed. 791, relied upon by petitioner on page 33, as a result of the unlawful combination plaintiffs, who were buyers, were compelled to pay higher prices for goods (802); the fact of damage likewise was certain.

In *Aladdin Mfg. Co. v. Mantle Lamp Co.*, 116 F. (2d) 708, relied upon by petitioner on page 33, the Circuit Court of Appeals found (717):

> "There was proof of injury to appellant's business in appellee's conduct, including injury to its goodwill and nullification of its advertising program for which it expended large sums of money over and above profits gained by appellee. For such injury it was entitled to compensatory damages."

which should "include all damages ordinarily recoverable under the facts and circumstances presented" (716).

We conclude with the following quotation from *Dickinson v. O. & W. Thum Co.*, 8 F. (2d) 570 (6th C. 1925) at 575, it is said:

> "When a plaintiff in a trade-mark or unfair competition case seeks to recover damages, the burden is on him to prove by competent and sufficient evidence his lost sales, or that he was compelled to reduce prices as the result of his competitor's wrongful conduct. There is no presumption of law or of fact that a plaintiff would have made the sales that the defendant made. In this case

there is no sufficient, much less conclusive, evidence to show that plaintiff would have made all or any substantial part of the sales made by the defendant. Nor is there any adequate, much less conclusive, evidence that plaintiff reduced its price as a result of defendant's wrongful conduct. The evidence, on the other hand, is quite clear and convincing to the contrary. The same observations apply to the claim of damages to plaintiff's business from the inferior quality of defendant's product; it is not supported by adequate proof. For decisions showing the burden cast upon one claiming damages, and denying relief in the face of evidence of greater probative force, see the following: *Cornely v. Marckwald,* 131 U. S. 159; *Boesch v. Graff,* 133 U. S. 697."

We submit that under the facts and circumstances here presented no actual compensatory pecuniary injury was found by either court and the Record is barren that any existed. We, therefore, submit that under the circumstances the decree awards petitioner all the relief to which it is entitled.

PART III

I.

THERE IS NO ALLEGATION IN PETITIONER'S PLEADINGS NOR FINDING OF FACT BY EITHER COURT THAT RESPONDENT'S SALES EITHER WERE IN INTERSTATE COMMERCE OR INTERFERED THEREWITH—THEREFORE SECTIONS 19 AND 16 OF THE ACT DO NOT APPLY AND THE LOCAL SUBSTANTIVE LAW GOVERNS

We maintain that the Trade-Mark Act of 1905 by its very wording provides no remedy where the infringement of a trade-mark registered under it is within the limits of a State and does not interfere with interstate or foreign commerce.

In speaking for this Court in *United States Printing Company v. Griggs & Company,* 279 U. S. 156, Justice Holmes said:

> "But neither authority nor the plain words of the Act allow a remedy upon it for infringing a trade-mark registered under it, within the limits of a State and not affecting the commerce named."

There is no allegation in petitioner's pleadings nor is there any finding by either of the lower Courts that respondent's retail sales of the Crusader replacement heels or the Surefoot replacement heels in the color red were either in interstate commerce or interfered therewith.

The O'Sullivan Rubber Company, Inc., of New York City and Gettysburg, Pennsylvania, the Essex Rubber Company of Trenton, New Jersey, and the Boston Woven Hose & Rubber Company of Boston, Massachusetts, constitute the sole sources of supply of heels purchased by respondent for resale at retail (R. 88).

The replacement heels are shipped by these concerns to respondent's stores from where they are displayed on its

counters and sold to the public (R. 104-112) for its use either in repair or in replacement.

The S. S. Kresge Company does not ship these heels in interstate commerce. By its purchase orders respondent causes them to be shipped to its various stores (R. 88-9).

The affirmative answer to Interrogatory 5, 9 and 10 (R. 13, 14, 16) must be viewed in the light of petitioner's pleadings and the evidence. The following language in *Dowagiac Mfg. Co. v. Minn. Plow Co.*, 235 U. S. 641, at 650, is therefore important:

> "While they were made in the United States, they were not made by the defendants. The latter's infringement consisted only in selling its drills (heels) after they passed out of the maker's hands. The place of sale is therefore of controlling importance here."

Respondent's technical infringement in this case consisted only in selling the heels to the public after they had been shipped to and received by "our stores" (R. 89) from the manufacturer.

The place of sale is likewise of controlling importance here.

Early in July of 1935 a survey was made which indicated that in the 68 stores covered by petitioner's affidavits filed for use upon the preliminary hearing, there were only 173 Crusader heels in which the color red appeared; there were only 955 Surefoot heels in which the color red appeared (R. 92). This was an average of less than 3 heels per store for Crusaders and about 14 for the Surefoot heels.

After the preliminary hearing on August 10, 1935 (R. 115) these few heels, in obedience to the preliminary injunction, were removed from the counters. From August

19, 1935, until the date of the hearing before District Judge Lederle in April of 1938 (R. 119) and until the final decree was settled, December 29, 1939 (R. 131), or a period of approximately four and one-half years, not a single replacement heel, eventually found technically to infringe, remained on respondent's counters.

It is, therefore, manifest that none of respondent's retail sales either were in interstate commerce or interfered therewith within the realm of any concept enunciated by this Court.

We submit that when a clerk in a local store in Michigan or in any other state sells a pair of replacement heels to a member of the public for ten cents, places them in a bag and delivers them over the counter to the customer who goes about his business, such a transaction is a local transaction. It is not one engaged in interstate commerce, and any tort thereby committed is a local tort. That this same transaction may be repeated in another state in another store does not make it a matter of national concern, the transactions still remains a local transaction in intra-state commerce in some other state.

The power of the Congress to enact the Trade-Mark Act of 1905 arises from its power "to regulate commerce with foreign nations, and among the several states, and with Indian tribes" (Art. I, Sec. 8, Cl. 3). The Act so states and limits itself.

Respondent's technical infringement did not occur until it sold at retail the replacement heels which were manufactured and shipped to it by another. In view of the foregoing discussion it is difficult to believe that its sales were in interstate commerce or materially interfered therewith, and therefore we submit that Section 19 of the Trade-Mark Act is neither applicable to its sales nor to any accounting of profits thereon.

On page 31 of its brief petitioner claims the benefit of Section 16 of the Trade-Mark Act to fortify its position that it is entitled to an accounting for damages.

Section 16 hereinafter set forth in full in the appendix, in its applicable wording, provides as follows:

> "Any person who shall * * * colorably imitate any such trade-mark * * * and shall use, or shall have used, such * * * colorable imitation in commerce among the several states, or with a foreign nation, or with the Indian tribes, shall be liable to an action for damages therefor at the suit of the owner."

As indicated by the Record and by the discussion above, respondent has not used the heels which have here been found technically to infringe because of the "red or reddish color" "in commerce among the several states, or with a foreign nation, or with the Indian tribes."

We submit that neither Section 16 nor Section 19 is applicable to the factual situation here at hand.

If we are correct in this theory, then as indicated by the Circuit Court (R. 156) "whatever substantive rights appellant may have in the premises arise under local law and are within the scope of *Erie Railroad Company v. Tompkins*, 304 U. S. 64.

CONCLUSION

For the foregoing reasons the decree below should be affirmed.

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APPENDIX

Trade-Mark Act of 1905

Sec. 16, U. S. C., title 15, sec. 96. That the registration of a trade-mark under the provisions of this act shall be *prima facie* evidence of ownership. Any person who shall, without the consent of the owner thereof, reproduce, counterfeit, copy, or colorably imitate any such trade-mark and affix the same to merchandise of substantially the same descriptive properties as those set forth in the registration, or to labels, signs, prints, packages, wrappers or receptacles intended to be used upon or in connection with the sale of merchandise of substantially the same descriptive properties as those set forth in such registration, and shall use, or shall have used, such reproduction, counterfeit, copy, or colorable imitation in commerce among the several States, or with a foreign nation, or with the Indian tribes, shall be liable to an action for damages therefor at the suit of the owner thereof; and whenever in any such action a verdict is rendered for the plaintiff, the court may enter judgment therein for any sum above the amount found by the verdict as the actual damages, according to the circumstances of the case, not exceeding three times the amount of such verdict, together with the costs.

Sec. 19, U. S. C., title 15, sec. 99. That the several courts vested with jurisdiction of cases arising under the present act shall have power to grant injunctions, according to the course and principles of equity, to prevent the violation of any right of the owner of a trade-mark registered under this act, on such terms as the court may deem reasonable; and upon a decree being rendered in any such

case for wrongful use of a trade-mark the complainant shall be entitled to recover, in addition to the profits to be accounted for by the defendant, the damages the complainant has sustained thereby, and the court shall assess the same or cause the same to be assessed under its direction. The court shall have the same power to increase such damages, in its discretion, as is given by section sixteen of this act for increasing damages found by verdict in actions of law; and in assessing profits the plaintiff shall be required to prove defendant's sales only; defendant must prove all elements of costs which are claimed.